

The

Management REVIEW

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DECEMBER, 1939

COMMENT • DIGEST • REVIEW

THE AMERICAN MANAGEMENT ASSOCIATION

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December, 1939

The Management REVIEW

If you made a list of the things that divert the attention of business men from business, you would probably find Christmas at the top of the list. Aside from minor diversions, like the hot-dog man who parks his wagon across the street from the plant, and the window-cleaners whose clattering disturbs the office, Christmas would be far ahead of anything else, including the World Series and the elections.

CHIRSTMAS brings up all kinds of problems—some not very consequential, to be sure, but all thoroughly diverting. There are such matters to be thought about as: gifts, greeting cards, bonuses (in some companies), time allowances, shopping, and so on. But knottiest problem of all is the influx of gifts in certain organizations from salesmen and suppliers to the employees whose decisions have a bearing on the concern's buying policies. Such employees range from high-ranking executives to minor supervisors. What should company policy be on the subject?

TAKE a fellow who's sort of neglected and gets only a couple of ties from the family and not-so-good cigars from his friends; the management hates to make him return a glittering set of golf clubs or a smart traveling bag. And yet, gifts do create obligations—however slight. Some senders of gifts go beyond the bounds of taste and give presents of great value. Many concerns firmly order that gifts of this character be returned—and no dallying. Others wink even at substantial gifts. General practice is outlined on page 418 (That Business Santa Claus).

UNFORTUNATELY, the gift traffic in business, except in certain instances, is no true expression of the Christmas spirit. No one can wink at that. It's something much different. Christmas *does* only come once a year, and nobody but a Scrooge minds the diversion; but in business, as in other spheres, it only really comes to men of good will—something the world and business need a great deal of this Christmas of 1939.

Current Comment

PRICES—KEY TO THE FUTURE

AS a matter of policy, the managements of leading industries have refrained from advancing prices, in the interest of stability. However, the sharp advance in raw material prices, coupled with more moderate increases in some other cost elements, has been leading many to the conclusion that industrial prices must inevitably be advanced in the not distant future.

There can, of course, be no doubt that continuing increases in operating costs in manufacturing industry will eventually necessitate advances in prices, if profit margins are not to be eliminated. The only question at issue is how long it will be possible, financially, to avoid increases.

As a result of habitual modes of thinking, and also of accounting methods, there is a general tendency to overlook the bearing of the volume of output on unit costs and profits. So long as an industry is operating well below capacity, an increase in volume, which distributes the burden of overhead over a larger number of units, will offset large increases in direct operating expenses.

It would be presumptuous of any individual, without detailed knowledge of the existing situation in particular companies, to say at what precise moment of time mounting operating costs had so completely offset the advantages of increasing total output as to necessitate price advances. But, bearing in mind the fact that the level of manufacturing production at present is well above the plane of final consumption, that it appears doubtful whether European war demands, except in special lines, will be comparable in magnitude to those of the World War, and that raw material and wage costs are below the level of 1937, it would seem that a general advance in the prices of manufactured goods at this time would be distinctly unfortunate. It should always be borne in mind that an increase in the prices of all those forms of manufactured products which enter

into succeeding stages of production appear as costs in each succeeding stage, just as the prices of raw materials appear as costs in the first stage of manufacturing. The process of price advance is cumulative and tends to gain in rapidity as it spreads throughout the entire economic system, and involves wage as well as price advances. Accordingly, if the well-known vicious spiral is to be checked, it must be checked in its early stages.

The economic goal of the United States at this difficult and uncertain period should be to make a full utilization of our productive resources in expanding production without permitting a general inflation of prices and a destruction of equilibrium. If this national objective be accepted, it follows that advances in industrial prices at this time should be resisted to the utmost. We should seek to make increased profits by a fuller and steadier utilization of capacity, and by ever-increasing efficiency in production.

Similarly, the laboring population should focus attention upon the realization of more and steadier employment instead of upon hourly wage increases. The advances in hourly wages during recent years have not been accompanied by corresponding increases in weekly wages. On the contrary, weekly and annual wages have on the whole declined.

The only *real* profits, like the only *real* wages, are those which arise from increased production. Profits resulting merely from purchasing goods at one price and selling them at an advance are not of a constructive character; that is, they are not backed by tangible goods and services and thus add nothing in primary terms to the wealth of society. Moreover, such profits are in the main illusory—for when utilized in the replenishment of inventories or the construction of new plant and equipment which have also risen in price, a dollar of profits will not go as far as before. Thus, the apparent gains are nullified. Meanwhile, thanks to our system of accounting, a substantial portion of these paper profits may be gathered by the tax collector. In any case, such price advances, as our industrial history proves, lead to collapse and depression, the losses of which more than offset any tangible gains that may have been realized.

HAROLD G. MOULTON,
President,
The Brookings Institution.

THE MANAGEMENT INDEX

General Management

Latin America Beckons

FOR the past two years, Germany has averaged over 280 million dollars a year in exports to Latin America, chiefly finished and semi-finished manufactures for industrial use. In the aggregate, Germany's sales to Latin America last year were about half as large as those of the United States. On the basis of replacing that business alone, we may anticipate a potential increase of not less than 50 per cent. And since old suppliers cannot absorb such volume in addition to the normal increase in demand from other territories, new suppliers must enter the field.

How is the manufacturer unschooled in export to take advantage of this opportunity to profit by serving a new and distant clientele? Stripped down to its essentials, the correct procedure is simple and presents no more difficulty than a domestic sales campaign. The first step is to make sure that there is a market for his product; the second, to arrange proper sales representation in the various countries; the third, to provide a means of handling collections from abroad; the

fourth, to make contact with a freight forwarding agency; and the fifth, to take steps to promote actual sales. In the main, these steps will be carried on concurrently.

Industrially, Latin America is primarily a natural resource area. All machinery for the generation and transmission of power, and for production and maintenance, is imported, and in general is of the same type used here in the United States for similar purposes. Mining, the production of sugar and other agricultural products, meat packing—each with its own requirements for production and maintenance machinery—are the backbone of Latin American industry. There is also increasing activity in the textile and process industries, with large aggregate use of factory equipment and supplies. Serving these industries are power companies, railroads, motor transport, road and building contractors.

Gas engines, pumps and compressors, pipe and fittings, and excavating equipment are important items. Cement, industrial and pharmaceutical

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chemicals, structural steel and tin plate are among the important materials imported for conversion.

Having satisfied himself that his product is suitable for export, the manufacturer must set up sales agencies to develop business with industrial prospects. The selection and development of a hard-hitting and productive corps of territorial representatives should, by all means, be delegated to an experienced and capable export manager, although he need not be a salaried employee. There are many successful export managers who act for several manufacturers of non-competing, but complementary, lines on a commission arrangement. In such cases, sales expense is kept within approved limits, and there is no delay in securing representation abroad.

A short conference between the manufacturer and his local bank manager will see him through the third and fourth steps of arranging for collections and shipments. Where the manufacturer wishes to allow terms to the importer and secure immediate cash for himself by discount, a special arrangement with the bank is necessary. Under stipulated conditions, such credit facilities will probably be available in most instances.

The fifth step, that of promoting interest in and acceptance of a product and building a substantial and permanent export sales volume, is something for the manufacturer to plan carefully and invest in wisely. Overseas representatives need plenty of support, and in some respects publication and di-

rect-mail advertising are more important and comparatively less expensive in export than in domestic sales campaigns. A reasonable allowance for advertising in media that afford contact with actual prospects is perhaps the best policy to start with. Advertising in foreign media upon the recommendation of sales agents, or granting them an advertising allowance, is usually an outright waste of money.

There are two kinds of customers to avoid. One is financially irresponsible and will obtain merchandise from anyone who will ship on credit or consignment. He will never pay. The second type is the purchasing agent for a belligerent nation, who attempts to secure goods by subterfuge and later tranship them. The fact that the British have listed many Latin American firms with known German connections, and the belief that Germany has large credit balances in several Latin American countries, lend color to the suspicion that some such transactions may be attempted via Latin American ports. If goods consigned to a "blacklisted" importer are intercepted by the British fleet, they are subject to seizure. The exporter of the seized shipment then has a claim for reimbursement against the British Government, but he will be banned from any sales to British subjects from that time forth. And that is no way to build a substantial and permanent export business. By J. SEWARD McCAIN. *Industrial Marketing*, October, 1939, p. 13:3.

That Business Santa Claus

MANY a corporation president has been shocked to discover that subordinates accept substantial Christmas presents from suppliers — and that they see nothing wrong in the practice.

Other company heads take the hard-boiled attitude of, "Let 'em accept what the seller wants to give 'em. If gifts warp their purchasing judgment, the results will show it."

A survey of the field indicates that more and more companies are outlining definite rules to govern the acceptance of presents. As a generality, the bigger the company the more firmly it holds to a rule that will keep from warping its employees' zeal for its interests. For instance, both Sears, Roebuck & Co. and Swift & Co. along about the first week in December customarily reissue their standard Christmas gift instructions to everybody who might be offered a donation.

Sears reminds its people that gifts are taboo if they involve any real value or obligation. The instructions suggest that any such gift, if received, be immediately returned with a courteous note pointing out that it is being sent back "to avoid causing embarrassment to both of us." Sears' practice leaves the recipient considerable leeway for discretion. As one buyer puts it, "If somebody sends me something that looks as if it cost him less than \$5, I send him a thank-you letter. Over \$5, back it goes."

Swift's general office bulletin states that under no circumstances are employees or their families to accept gifts, favors or entertainment of substantial value or of a sort that may create a real or seeming obligation. The ruling specifically exempts "inexpensive items and novelties which some individuals or companies may give their customers, usually at Christmas, as a gesture of good will."

A few concerns insist that any gift accepted from a firm or individual interested in obtaining or holding the company's business must be immediately reported to the management, in writing. One company requires an estimate of its cash value, as a criterion for judgment.

The ultra-conservative school of thought about Christmas gifts holds that their acceptance by an employee or officer is in the same class with speculating in commodities that the company purchases, or buying stock in a concern that sells to the employer; one corporation executive used these comparisons in explaining his company's rule. At the other extreme is the belief that it is all right to accept anything a supplier is silly enough to give, provided the buyer does not let the gift influence his judgment. But the indications are that ever more managements are swinging toward a ruling that Christmas presents of more than incidental value may not be accepted by employees or officers.

Talking with a substantial number

of the men who buy for business and industry disclosed pretty clearly that most of them enjoy receiving Christmas remembrances. Those of delicate sensibility strongly prefer, however, that it be a remembrance instead of a potential subsidy. Pet aversion of most buyers seems to be the expensive present that a supplier sends along as impersonally as a subway slot machine yields its stick of penny gum.

Anyone who faces this perennial problem and has not yet formulated a satisfactory policy might well ponder the custom of the thriving young

Chicago company of Richards, Boggs & King, Inc.

During the two days before Christmas, the two managing officers busily put in long-distance telephone calls to good customers everywhere in the United States. Each call is personal, and different. But the substance of each conversation is this: "This has been a good year for us. Your business has contributed importantly to it. We want to let you know that we sincerely appreciate it. And we wish you a very Merry Christmas." BY ARTHUR VAN VLissingen. *Forbes*, December 1, 1939, p. 14:3.

Skilled Labor Shortage?

MARKE~~D~~ increase of manufacturing activity during the autumn has again raised the question of the adequacy of the skilled labor resources in this country. The problem is most acute in the metal-working industries for the reason that thorough training in the more important crafts in these industries usually requires considerable time, and, therefore, a developing shortage of competent craftsmen cannot be quickly rectified.

To learn whether a serious skilled labor shortage impended, the Conference Board asked a number of representative companies, mainly in the metal-working industries, to indicate whether they as yet found it impossible to secure qualified craftsmen who were actually needed and who would be employed if available. Of 180 companies giving information on this point, 78, or about 44 per cent, indicated that they were already unable to secure certain types of craftsmen that were needed. The remaining 102 companies had so far been able to fill their needs. With regard to the question whether any substantial increase in activity would create a serious situation, about 68 per cent of companies replying were certain that it would, and an additional 15 per cent felt that this probably would be the case. Thus over 80 per cent of the companies are fearful that skilled labor available is hardly more than adequate for present needs.

Companies were asked to designate occupations in which actual shortages already existed. The first 12 occupations in order of which the largest number of craftsmen were needed are: All Around Machinists, Toolmakers, Welders, Molders, Sheet Metal Workers, Engine Lathe Operators, Die Makers, Turret Lathe Operators, Milling Machine Operators, Automatic Screw Machine Setup Men and Operators, Grinders, and Gauge Makers.

Shortages outside the metal trades existed in wood-working—Cabinet Makers and Wood-Working Draftsmen—and in the textile industries—Loom Fixers and Weavers.

—The Conference Board Management Record 11/39

The Coming Collapse of German Industry

WILL some section of the German people, its army, church or industry, revolt against Hitler during the first year of the new European war? That is unlikely, because most of the people of Germany cannot see the advantage to them of such a revolt.

The German of today must ask himself these questions: Suppose the army officers led a revolt against the Hitler regime; would a military dictatorship be better than the present regime? Would there be any more profits, food to eat, or clothes to wear? Would there be any more of what the democracies call freedom? The answers to these questions are "no," and the conclusion is "Why revolt?"

Clearly the business man in Germany, who today must consider himself largely an employee of the state, can do nothing to bring about a change. He sees German industry already in an impossible situation, with the new European war only started. Its superb industrial equipment lacks raw materials and is declining in efficiency because of many factors, each vital, each seemingly impossible of solution and removal, and each capable in the end of bringing about the collapse of Germany's industrial system.

First, the withdrawal of skilled men from industry for service in the army, which is relatively new and lacking in large numbers of skilled officers, has hampered industrial production at a

time when Herr Hitler is demanding still greater output.

Second, Germany faces a shortage of everything except coal, which forms its greatest single natural resource. It is short of iron ore and machinery, short of fuel oil, short of copper, wheat, cotton and of numerous strategic materials which might cause a fatal gap in the country's industrial system.

Third, the Reich's workmen are already tired, and production per man of nearly every manufactured or raw material is steadily declining. Poor food is lessening the German worker's efficiency. German workers are older, on an average, than workers in many other countries because the maintenance of a large army has drawn off the younger men. In the coal mines, particularly, production per man has fallen.

Fourth, German industry is already suffering from what might be termed "involuntary sabotage." The hopelessness of life in the Reich has stiffened the hands of workmen in factories and on farms and, despite the utmost pressure from Nazi district leaders and the Gestapo, production of most articles lags behind consumption.

Fifth, the necessity of developing "ersatz" substances to make up the Reich's deficiencies of many raw materials has thrown an intolerable burden on industry and has lifted costs of production to absurdly uneconomic

heights. The man-hours of work required to produce synthetic gasoline are, for instance, beyond comparison with the costs of taking oil made by nature from the ground.

The morale of the average German of today, whether he is a business man, workman or farmer, is unbelievably low in comparison with the morale of the average German of 1914. The necessity of maintaining a large force in arms has lengthened the hours of work for the civilian population and has reduced their opportunities for rest and recreation. The increase in industrial accidents and sickness has been marked. After a few years of "ersatz" living, now worsened by the British blockade for peace, the will of the German people (of any people, regardless of their patriotism) grows stronger and their will to fight and starve becomes weaker.

The circle around which the German economy is racing goes ever faster. The use of inferior or substitute raw materials lifts industry's costs. Then

the government must step in with state subsidies. To provide these subsidies, the government thereupon must obtain forced loans from other sections of industry or resort to the issuance of fiat money. These forced loans and fiat money lead to inflation, which means higher prices and further subsidies, which result in more forced loans and fiat money, so that the public debt in Germany has already reached the dimensions existing in the last month of the 1914-1918 war.

For these and other reasons, Germans who see the fatal circle in which their industry is whirling are predicting the complete collapse of this industry within four to eight months. Germany's foes may know this and may be holding off costly attacks upon the Reich in anticipation of such a collapse. Whether Herr Hitler will be destroyed from within when the industrial collapse comes, I doubt. There is no one else to lead. By FELIX BEYER. *The Iron Age*, October 12, 1939, p. 21:5.

"Concentrating Club"

MANY companies have suggestion systems designed to encourage employees to think about their jobs and their company, and share with management any ideas or criticisms they may hit on. Not content with just providing the avenue by which these ideas can be conveyed to management, one company hit upon a stimulus to this type of thinking by establishing a "Concentrating Club." Any employee who would promise to put in one hour a week outside of working hours, concentrating on how he or the company could do a better job, was eligible for membership.

Once when a wage cut was imminent, members of the Concentrating Club were told that the cut could be avoided if costs were curtailed by reducing the idle time and stopping waste. The men thought fast and came across with enough ideas to make the necessary savings.

—*Factory Management and Maintenance* 11/39

Office Management

Reducing Correspondence Costs

THE control of correspondence costs depends in the main upon:

- (1) management interest;
- (2) training methods and materials;
- (3) equipment and facilities provided;
- (4) personnel engaged in the task of dictation and transcription.

Management interest is listed first because control of operating costs is a primary function of management. Dictated letters may cost anywhere from 20 cents each to 60 cents each, depending upon who does the dictating and the conditions under which the dictated matter is transcribed and mailed.

Chief among the faults which mean high costs are dictation and transcription of needless words and phrases, lengthy letters, and useless letters. Some years ago, a prominent rubber manufacturing company, through a study of its carbons over a period of time, arrived at the conclusion that the dictating and transcribing of needless words and phrases cost \$21,921 a year, and a campaign to eliminate these was undertaken. Another concern, seeking to reduce letter-writing costs, learned through study that its dictated letters averaged 16 lines in length. Six months of well-directed effort resulted in better letters being dictated at an average length of 11 lines per letter.

The second factor to be considered

is that of training methods and materials. A manual of practice for dictators and one for transcribers form the basic training medium. Manuals should avoid theory and should thoroughly cover routine; and they should be concerned almost entirely with company standards and company letter-writing problems. Much poor dictation can be corrected by clearly stated instructions on routine matters; many rewrites can be obviated; much waste of working materials, stationery, etc., can be avoided.

Weekly or monthly bulletins showing right and wrong ways of handling a dictating or transcribing problem are effective training aids. Other helpful training aids include: a bulletin of pre-dictation suggestions, applied to the individual company situation; a definite course of instruction, in lesson form, related to company letters; a model letter showing standard position of date, address, salutation, margins, paragraph margins, and closing, processed on letterheads, distributed to dictators and transcribers, and posted on company bulletin boards.

The third point to be considered is equipment and facilities. A transcriber or secretary transferred from one department office to another, either temporarily or permanently, should find the equipment and working facilities

in the second department the exact duplicate of those in the first, even to the arrangement of materials within the desk and the distance to be covered in reaching for those materials. Where the machine system of dictating is employed, equipment should be up to date and serviced so as to provide the maximum assistance to both dictator and transcriber.

Finally, the responsibility for lower correspondence costs rests with the dictating and transcribing personnel. Study of a dictator's work table and observation of his dictation methods will provide a clue to his work habits, many of which are costly. Study of work habits of transcribers either in a centralized or decentralized department can be equally effective.

One company has issued the following instructions to its dictating personnel:

No dictated sentence should contain more than 25 words. No paragraph should be more than seven lines in length. No letter should contain more than four paragraphs.

This, of course, cannot be a standard requirement, but it does give the dictator something at which to aim.

Thinking in advance of dictation not only results in better letters of shorter length and cuts down time in transcription, but it lessens the need for corrections and enables the transcriber to do a more productive day's work. By H. N. RASELY. *N.O.M.A. Conference Proceedings*: 1939, p. 33:3.

Employee Policies

A CANADIAN firm, the Northern Electric Co., Ltd., has not only promised to reemploy its men who enter war service but will also continue to pay up to half their wages to make military pay equal to what they earned as civilians.

Vacations depend upon dividend payments in a new labor contract between the C.I.O. and the Package Machinery Co., Springfield, Mass. If a \$1 dividend is declared, the workers get one week's vacation, and a \$2 dividend means a two weeks' vacation. The board of directors of the company has discretion over vacation lengths if dividends are less than \$1.

—*Business Week* 12/2/39

Paid Vacations in Great Britain

PAID vacations are granted to about four million workers in Great Britain under the terms of collective agreements, according to a recent estimate of the British Ministry of Labour. Establishment of holidays with pay by voluntary agreement was recommended by a special committee, and since the committee's report was issued, in the spring of 1938, the total number of persons so benefiting has increased from three to four million. In general, the vacation period is one week after 12 continuous months of service, and workers who leave their jobs before their vacation is due do not necessarily lose all the benefit under agreements, but may be granted either vacation time or payment in lieu of vacation.

—*Monthly Labor Review* 8/39

Printed Forms as Tools of Business

IN organizing form control, it is important that control, initiating, changing and supplying of forms be placed in the hands of a centralized authority. All forms should be reviewed periodically, so that eliminations, improvements and changes will be gradual. It is usually best that their printing be done at only one source.

In a company of moderate size the control of the form system is usually added to the duties of one of the executives. Sometimes it is advisable to organize a committee, particularly when there is no individual available with the necessary combination of experience and knowledge of the business. All suggestions or ideas for new forms, or for form revisions, are reviewed by this central authority.

Practically always the next step is to gather together all the forms used in the business for a systematic analysis. These are then grouped by departments and carefully studied. Particular attention is given to: elimination of unessential forms and unessential parts of forms; dovetailing all forms, and closing up any gaps that may appear; careful designing of forms to assist in getting work done quickly and accurately; establishing a systematic plan of classifying, identifying, revising and ordering.

It is natural and logical to classify forms by department. A simple plan is to assign to each department its own class or department letter, and then to

use numbers to distinguish the forms within that class or department. In addition to an identifying number, each form should bear a brief name, as accurately descriptive of its function as possible.

All physical features of forms should be standardized. Standards should be sought first for form sizes. The range of standard sizes now in general use is sufficient to meet practically every need. Odd-sized forms not only increase printing costs but also the expense of handling and filing.

Following the standardization of sizes should come a study of the best weights of paper to use. The number of carbon copies to be made has a bearing upon the weight selected. Moreover, typewriters and many other office machines have definite requirements or limitations which must be kept in mind when adopting standards for weights of paper.

As a rule, forms bound together in books can be printed on lighter paper than forms to be used singly or loose. On the other hand, the larger the form, the heavier should be the paper. Postage and mailing requirements must also be considered.

When the time comes to reprint a form, it is best to bear a number of points in mind. For example, the sequence and grouping of items on a form will have much to do with the speed and accuracy with which the form is filled in. The items on a form

should usually be arranged in the order in which the filling in is best done; and if the information entered on one form is taken from another, the sequence of those items should be the same in both forms. If the information to be entered comes from a number of different forms, the items coming from each form should ordinarily be kept together in a group.

Perhaps the most common shortcoming of the thoughtlessly designed

form is poor spacing. Some items are given from two to 10 times as much space as they require. Other spaces, particularly those calling for handwritten entries, are much too small. Many forms that are to be filled in on the typewriter have been designed without reference to its space limitations. The effect is to make the typist do a lot of hand spacing, resulting in a serious loss of time. *The Office*, August, 1939, p. 10:6.

Occupational Level and Job Satisfaction

QUESTIONNAIRES covering their personal, educational, occupational, and avocational history were filled out by 273 employed men, ages 20 to 68, who were approached through their interest in any one of a number of avocations. Items were included pertaining to job satisfaction. The major findings were as follows:

1. Slightly over 60 per cent of the group were satisfied with their jobs.
2. There is a significant, but not linear, relationship between occupational level and job satisfaction.
3. Two occupational scales were found to exist: one of white-collar workers, the other of manual. Professional occupations are most productive of job satisfaction, Managerial next, Commercial least, in the white-collar scale; skilled occupations rank highest in the manual scale.
4. These scales overlap when compared in terms of productivity of job

satisfaction, the Skilled and the Semi-Skilled groups (two highest manual) ranking above the Commercial group (lowest white-collar) in job satisfaction.

5. Amount of change of occupational level had little, direction of change considerable, effect on job satisfaction.

6. Maintenance of the highest attained occupational status is the important factor in the relationship of change of occupational level to job satisfaction.

7. Roughly 70 per cent of the group had never changed occupational level; comparisons with an earlier study suggest that this may indicate a decrease in occupational mobility in recent years.

8. "Aspirational discrepancy," or the size of the gap between present occupational level and the level aspired to, is negatively related to job satisfaction.

9. The nature of the work itself appeared as the most frequent reason, in the minds of the men themselves, for disliking a job, economic reasons ranking second, and managerial policies an infrequent third.

10. Job satisfaction was found to develop cyclically, older adolescents (20-24) tending to be satisfied with their jobs, young men (25-34) dissatisfied, and older men satisfied, with a possible temporary decrease at ages

45-54; this was taken as partial confirmation of Bühler's theory of life stages.

11. There is a tendency for men to rise in the occupational world as they get older: this is interpreted as explaining away the correlation of age with job satisfaction, reported by other investigators.

By DONALD E. SUPER. *The Journal of Applied Psychology*, October, 1939, p. 547:16.

Where Does the Worker's Money Go?

A SURVEY made by the Bureau of Labor Statistics in 42 cities covering 12 months within the period of 1934-36 discloses the spending habits of 14,469 families of employed wage earners and clerical workers who had received no relief during the year. Of this group the average income was \$1,515 a year, although half of the families studied had incomes of \$1,458 or less.

Thirty-three cents of the typical city worker's dollar goes for food, 25 cents for housing, 10 cents for clothing, and 22 cents for all other expenses. The average annual expense for housing, and fuel, light and refrigeration was \$367. Clothing for the average family, which comprised 3.6 persons, cost \$160, or \$44 per person.

After food, clothing and housing, the largest claim on the family pocketbook was made by the automobile, expenditures for purchase, operation and maintenance averaging \$87 per family for the year. More workers' families in western cities had cars than those in eastern centers. Furthermore, the families in smaller communities were more apt to have cars than those in metropolitan areas where traffic congestion is greater.

Recreation expenditures, which average \$82 a year, include cameras, radio purchase and upkeep, paid admissions to "movies," ball games and other commercial amusements, purchase of newspapers and other reading matter, cigarettes and other forms of tobacco, as well as sport and play equipment. Expenditures for household furnishings, medical care, and household operation each averaged approximately \$60. Transportation by street car, bus, ferry, train, boat, and occasionally by airplane, claimed a total of \$38 of the average family's income. Of the \$30 spent for personal grooming, the largest share was taken for haircuts.

Closed Shop and Check-Off

A BOUT 3,000,000 of the nearly 8,000,000 organized workers in the United States, the Bureau of Labor Statistics estimates, are now working under closed-shop agreements. Many others are employed under conditions approximating the closed shop, but not formalized by written agreement, and about 500,000 are employed under preferential union shop conditions.

About half the national and international unions in this country have signed at least a few agreements providing for the check-off method of collecting union dues.

—*Monthly Labor Review* 10/39

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1939,

Mutiny in the Office

TAKE a letter to C. D. Nash:
My very dear sir, colon, dash—
Yours of the seventeenth to hand,
Contents noted, comma, and
In reply we beg to state
We will give the problem—wait!
Say rather—the matter which you mention—
Comma, our most prompt attention.
Signed yours truly, Wilbur Tanager,
Assistant to the assistant manager.
A most important note, Miss Black—
Perhaps you'd better read it back.

Listen, Wilbur, dash and comma,
What do you take me for—a farmer?
Question mark. I hate your manner
Of leading me through the first-grade grammar!
For two long years I've been the goat
To whom you babble the quote, unquote,
Parentheses and exclamation
Of your deadly dull dictation.
Though you're not the type for swearing,
Come on, Wilbur, have more daring;
Can't you think up something brisk,
That calls for, maybe, an asterisk?

—MARY WARD

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“Labor Utopia”

IN Cleveland, Ohio, is a business operation perhaps best described as a labor Utopia.

It is the plant of Charles E. Eberling, 65, a bright-eyed, cigar-chewing gentleman who manufactures packaging machinery of his own invention.

At the Eberling plant nobody is boss. Employees make their own shop rules. They smoke and eat on the job, skip out to make a purchase, pay a bill or call on a friend any time they like.

Salaries are always held above others in the community for the same type of work. Everyone draws full pay when ill or otherwise unable to come to work.

Everyone gets two weeks' vacation with pay each year and an extra week's pay at Christmas, in addition to the yearly bonus which, in most cases, amounts to \$500.

When a worker completes his fifteenth year of service, the company gives him an automobile. There are always several of these cars parked outside the plant.

Employing 48 men, manufacturer Eberling has never known labor trouble in the 25 years he has operated on this basis. He has made a lot of money, but explains that he is not a rich man.

“I've accumulated riches,” he will tell you, rocking slowly in his big, old-fashioned office chair, “but they cannot be measured or valued in dollars and cents.”

—*Forbes* 12/1/39

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Personnel

Novel Suggestion System

THOROUGHNESS, a detailed record system, prompt action, and a spirit of fairness have combined to make the employee suggestion system of the People's Gas Light & Coke Co., of Chicago, work with good effect for 14 years. Last year 1,405 suggestions came in, 393 won awards totaling \$2,977, and 966 more drew official letters of commendation. Total savings to the company are not calculable. However, 13 suggestions that received preliminary cash awards in 1937 were judged during 1938 to have effected savings of \$12,017, and the 13 suggesters got an additional \$1,120.

The plan is managed by the "suggestion office" and its secretary. The company suggestion committee, in addition to the secretary, has a chairman, a vice-chairman and three members from each of seven groups in the company organization. When an idea reaches the "suggestion office" in the daily collection from boxes placed in all departments, the suggester gets a numbered receipt. The idea then goes to several investigators appointed to express expert opinion about it, and is sent on to the group committee members from the department in which it originated. Their reports are considered by the whole committee at semi-monthly meetings, and if an award is made, the cost department figures its value, employment files get a record

of it for future reference in matters of employee promotion and salary increases, and the employee is notified by a posting of suggestion numbers on bulletin boards and in the company house organ.

There are four kinds of awards. Winning ideas that seem to have big future importance draw preliminary cash awards, to be followed the next year with additional cash equal to about 10 per cent of the year's resultant savings. Accepted ideas of smaller value get cash awards, the minimum being \$5. Little ideas win "merit marks," each good for 50 cents, paid cumulatively every year. Ideas that cannot be adopted but show constructive thinking are rewarded by official letters—considered to have good psychological value. Every idea is acknowledged, and if not acceptable, a letter explains in detail.

To protect against duplication, the suggestion office maintains, along with a complete file of every idea ever submitted — cross-indexed by subjects, dates and employee names—a central card catalog that summarizes all ideas that have been entered. Every new suggestion is compared with this file first. If it duplicates one submitted within the previous five years, and wins an award, the original suggester is granted an award regardless of the fact that his idea may have been

impractical when submitted. An employee may re-enter a suggestion if he wishes to extend his five-year protection.

The suggestion secretary keeps in close contact with all superintendents, assistant superintendents, and supervisors. He frequently speaks at departmental meetings to maintain employee interest in the plan; and he spends considerable time helping employees perfect their own suggestions.

Cash benefit to the company is only a small part of the value of the plan. The company knows it has improved

employee efforts, smoothed working conditions, strengthened customer contacts, and developed greater employee initiative. The system has steadily increased in effectiveness, year by year. Whereas, during the entire 14-year period, ideas in the suggestion boxes averaged 86 per month, last year they averaged 117. Their quality has risen too. Annual savings to the company over the 14-year period averaged \$4,781, as a result of the principal awards alone, before attaining last year's figure of \$12,017. *Sales Management*, October 1, 1939, p. 52:2.

A Year of Labor Board Elections

AN analysis of employee elections reported by the National Labor Relations Board in the year ending September 30, 1939, shows, by comparison with previous periods, that while the C.I.O. unions have continued to win more contests their lead over A.F.L. unions was very substantially narrowed.

Analysis of the figures shows that, on the average, C.I.O. unions sought certification in units of about 50 per cent larger size than those in which A.F.L. unions sought certification. The average total of valid ballots cast in elections in which C.I.O. unions took part was 328; the average total for elections in which A.F.L. unions participated was 230. The two groups of unions were in direct competition in the larger units, the total of ballots cast in such elections averaging 330.

The total number of determinate elections reported for the period was 734, in which 197,335 valid ballots were cast. In the previous year, 826 elections were reported, in which 240,719 valid ballots were cast.

Results when classified to show how A.F.L. unions, C.I.O. unions and independent unions fared as groups reveal, by comparison with results in the previous 12 months:

1. A.F.L. unions participated in a larger proportion of elections than in the earlier period, won a larger proportion of all elections, and polled a larger proportion of all votes.

2. C.I.O. unions participated in a smaller proportion of all elections than in the previous year, won a smaller proportion of all elections, and polled a smaller proportion of all votes cast. C.I.O. unions, however,

continued to win most elections and to poll much the highest proportion of votes as compared with A.F.L. or independent unions.

3. Independent unions participated in a smaller proportion of elections, won a smaller proportion of all elections, and polled a small proportion of total votes cast.

4. All unions were rejected in a smaller proportion of all elections than in the year before, although the proportion of votes cast against unions rose slightly, from 21 per cent to 22 per cent.

5. In percentage of victories in 1938-1939, based on the number of contests

in which each group participated, C.I.O. unions had a slight edge over A.F.L. unions, winning 59.5 per cent of their contests as against the A.F.L.'s 58.2 per cent of victories in contests in which its affiliates participated. The C.I.O. figure, however, was down slightly from the previous year's figure of 60 per cent. The A.F.L. figure was substantially higher than in the previous year—58.2 per cent as compared with 44.8 per cent. Independent unions won 47.6 per cent of contests in which they took part, as compared with 50 per cent in the year earlier.

Labor Relations Reporter, November 6, 1939, p. 224:3.

Collective Bargaining by Rubber Workers

NOT until the passage of the National Industrial Recovery Act in 1933 did unionism among rubber workers make appreciable headway. The formation of the United Rubber Workers, in September, 1935, consolidated and extended the organizational gains made after passage of the Act, and today the union has a membership of 65,000, about one-half of the total employees in the industry. In June, 1939, the union had 56 signed agreements covering all important firms except the Goodyear Tire & Rubber Co., and even in that firm there are a considerable number of union members. Union organization was at first centered in Akron, the home of most of the large rubber companies. More recently the union has extended its organization efforts to other areas in order to raise wage standards to the Akron level and so prevent decentralization undertaken by the industry to obtain lower labor costs.

—*Monthly Labor Review* 9/39

Are Your Mailings Up-to-Date?

"AFTER a mailing list is 12 months old it ceases to be profitable," says the sales manager of a large concern. "Repeated tests have shown that it does not pay to mail a list that has not been checked up within a year. The percentage of returns from wrong addresses and so forth is sufficient to offset the profit on the orders received from the mailing. An example of the rapidity with which lists change is shown by a checking of the changes in one year of the commercial club lists of several cities. The lowest percentage of change was 17 per cent, while the highest was over 50 per cent, or 101 changes out of 193 names."

—*Marketing* 9/23/39

Production Management

Survey of Shift Schedules

AFTER passage of the Fair Labor Standards Act, many managers found themselves with new and difficult problems of shift scheduling. As a result of several inquiries, the Division of Industrial Relations of Stanford University's Graduate School of Business recently undertook a questionnaire survey of the effects of the legislation in continuous-process industries. A number of other points were also investigated.

Seventy-nine companies responded to the questionnaire. As of June 25, 1938, the date of passage of the Fair Labor Standards Act, 66 plants were operating on a 44-hour or shorter week in their continuous processes. Sixty-five firms were already paying time-and-a-half for overtime. By the summer of 1939, only four companies reported regular operations of more than 44 hours per week.

Eighteen of the 79 companies reported changes in shift schedules due to the Act, ranging from very minor changes to those which necessitated considerable revision of schedules. Changes were due chiefly to the hours clauses, while a few firms made changes in overtime rates. It is interesting to note that comments of company officials were to the effect that overtime and shift regularity requirements of the Act often conflicted with

the desires of the men more than with those of the company.

Only nine, or 11 per cent of the firms, reported union contract provisions as a cause of limitation of turn schedules. Ten companies, or 13 per cent, reported seniority provisions which acted as restrictions.

Starting and stopping time of shifts were as follows: Most eight-hour shifts were run from 8 A.M. to 4 P.M., 4 P.M. to midnight, midnight to 8 A.M., although several were on the 7-3-11 basis. The typical pay week began at midnight, Saturday.

Time out for meals on eight-hour shifts ranged from 15 to 30 minutes, most firms allowing 20 minutes with no pay deductions. A glass company reports shifts of $3\frac{3}{4}$ hours, indicating that two 15-minute periods are allowed off, consecutively, if desired, in eight hours. No time out was taken from six-hour shifts.

One question asked if extra compensation was paid employees on second and third shifts. Twelve of the companies reported extra compensation for the third shift, and nine of these 12 reported extra compensation paid on the second shift. In special notations two companies stated that all shift workers were paid on a higher basic scale than day workers for the same type of work. It is quite likely

that other companies also pay shift workers on a higher basic wage level than day workers.

In the brewing industry one firm reported a differential of 20 per cent each for second and third shifts, while another paid a flat \$1.00 per week to men on the third shift only.

Some companies do not pay extra compensation on less desirable shifts because continuous-process workers are required to take equal turns on all the shifts. One company, while requiring workers to take such equal turns, does pay five cents per hour extra to all men on the second and

third shifts, provided that at least one full second or third shift is worked. Another firm reports a premium of five cents per hour paid to men on a non-rotating graveyard (third) shift; the operations in question are done by women on the other two shifts. Two and one-half cents extra per hour is paid for graveyard-shift work by a third company. From *Shift Schedules in Continuous-Process Industries*, Division of Industrial Relations, Graduate School of Business, Stanford University, Calif. 26 pp.

(This study includes a selection of typical shift schedules and an outline of the principles of schedule construction—Editor.)

Why and How We Train Apprentices

TWENTY-TWO consecutive years of apprenticeship training qualifies the Hyatt Bearings Division of General Motors Corporation, at Harrison, N. J., as one of the pioneers in this phase of educational work.

A candidate accepted for apprenticeship by Hyatt must serve a trial period of 600 hours, which is included in his total of 7200 training hours. During that time the following characteristics are carefully observed: capacity to follow instructions; ability to absorb knowledge; reliability; craftsmanship; effort; and attitude toward his work, his co-workers and the company. If his proficiency is satisfactory, the student is allowed to sign an "Agreement of Apprenticeship." He deposits \$25 as a sign of good faith, which sum is returned with interest upon satisfactory

completion of apprenticeship or is forfeited if the apprentice resigns or is discharged before the expiration of his contract.

The three-year course consists of three units of 2400 hours each. The first year is devoted to intensive instruction in toolmaking and fundamental machine operations. Tool orders, specially selected for instructive purposes on lathes, millers, shapers and grinders, are introduced to the untrained boy, and the finished tools are used in the current tool and machine production. Second- and third-year students are transferred to the toolroom, machine shop, and drafting room. The school is under the direct supervision of a qualified instructor and assistant, who give their entire time to it.

Four hundred hours are allowed for classroom instruction. One hour a week for all three years is devoted to mathematics; three hours a week throughout the first and second years to drafting. The main textbook used in the school, "Tool and Machine Technology," was compiled by Hyatt for the course.

A chart is made of each student's record. It indicates the plan and the progress of the student and is used as a permanent record. After graduation, the foreman and the apprentice supervisor follow up on all graduates. BY FRANK R. WODTKE. *Factory Management and Maintenance*, August, 1939, p. 45:4.

25,000 Complaints

PILING up at a steadily increasing rate, complaints of violations of the Fair Labor Standards Act filed with the Wage and Hour Division now number more than 25,000.

During the first year of the Act's operation, the only period for which figures are available, the Division closed or dropped 692 cases, in addition to over 50 closed after court action.

Taken together, however, these figures give a distorted picture of the Division's enforcement activity. Complaints for several weeks after October 24, 1939, were unusually heavy, owing to the step-up in wage and hour standards at that time. In addition, it has been the experience of the Division that almost half of all complaints filed are invalid on their face.

Almost 4,000 complaints received have been held by the Division to indicate no violation of the Act. Many more have been lodged against employers who are not covered by the law. Thus, according to the Division, less than 13,000 of the total number of complaints received show any evidence of being actionable.

The large part played by informal settlements in the disposition of cases is evident from the fact that less than 10 per cent of all settlements during the first year required court action. Compared to the 38 injunctions and 28 cases in which firms were fined during the first year, 692 cases were closed or dropped after informal procedure. Of this number, 432 were settled by restitutions, which totaled more than \$200,000. The others were dropped because of lack of jurisdiction or because no violation was found.

—*Wage and Hour Reporter* 12/4/39

Preventability of Industrial Accidents

SAFETY engineers insist that most industrial accidents are preventable, and they can cite any number of instances to prove it. For example, a select group of iron and steel establishments reduced the frequency of industrial injuries by 90 per cent between 1913 and 1936. The petroleum refining industry reduced its frequency rate by half during the brief span of six years. The shore establishments of the Navy experienced a rate decrease of 75 per cent between 1926 and 1935. Similar experiences, attesting the effectiveness of intelligent accident prevention, could be cited for other industries and for a large number of individual concerns. Safety engineers say that, theoretically, all but 2 per cent of accidents are preventable—at least 75 per cent practically so, and without placing undue burdens on industry.

—*Journal of the American Statistical Association* 9/39

Marketing Management

Anti-Chain-Store Legislation

OVER 50 chain-taxing statutes have been passed by the states, and at least that many by municipal bodies. More than 40 fair-trade-practice laws have been directed at the corporate chains, and at least two by the Federal Government, while countless others have been or are being considered today. All these measures have had some effect, too frequently not that intended by their sponsors.

It has often been said that the chain organizations, by their size alone, constitute an undesirable element in the retailing field. Yet chain-taxing laws as generally developed by state legislatures offer little ground for expecting any diminution in size. In scattered instances these taxes have driven a few chains out of the field. More, however, have withstood the impact of this legislation, and several have actually increased in size as measured by such criteria as the number of employees, sales volume, capital investment, and strategy in position. Some have decreased the number of stores under their control while appreciably increasing the volume of business done by each remaining unit. Others which were most in need of control have largely escaped.

Indeed, size as measured by the number of units in a chain has little significance. Federal Trade Commission investigations have conclusively proved

that there is no direct relationship between the number of stores and profitability, dominance, or antisocial behavior. Some of the chains which rank among the largest from the standpoint of capital investment, number of employees, and share in retail business, are not among the largest when measured in terms of the number of stores operated. Such chains escape the burdens of these taxes, and it thus appears that chain-tax legislation, as developed down to the present time, must be considered a failure when it comes to curbing organizations of great size.

Anti-chain legislation has had one result, however, which was probably not foreseen at its inception. The co-operative chains, which began to grow during the late 1920's, have become a regularly more important factor in the situation. Whether the tax penalties meted out to the corporate chains did anything to encourage independent merchant participation in these cooperatives is problematical. At any rate, every indication points to a more intensive form of competition in the future, with cooperative chains bringing the independent merchant to a stronger position, with the supermarkets and local, sectional and national chains all entering into keen rivalry for the nation's business. By MAURICE W. LEE. *The Journal of Business of the University of Chicago*, July, 1939, Part 2.

Miracles for Sale

IN biblical times the affair of the loaves and the fishes was a rather special occasion. Today almost any corner grocery affords Wonder bread and, in a can of Chicken of the Sea tuna, the materials for a Magic Menu; and you can flavor the works with a few dashes of Miracle Whip. Or if you don't care for store boughten bread, you can throw together a phenomenon of your own with Magic Yeast, Miracle flour and Magic baking powder.

In the heyday of vaudeville, such accomplished artistes as Thurston and Houdini made things vanish two to five performances a day. Today you can commit feats of legerdemain by the casual act of purchasing a box of crackers. For "It's pure Magic the way Ritz crackers vanish into Thin Air," and presumably this can go on for hours on end.

The age of merchandising miracles seems to be with us. More and more products, it is evident, yield to description only in terms of their deviation from the known laws of nature.

It used to be, for instance, that when a lady went about getting dressed she simply shrugged into various tangible, earthly objects fashioned of cloth, leather and maybe metal. The investiture of today's woman may include a Miracle corset, and a Wonder Maid slip and a Magic petticoat. Hosiery might be Spider Magic in the Mystery Twist Weave by Admiration. The shoes could be Magic Stride. Gloves,

of course, would be in the new Mystery Colors by Aris of Paris, and the handbag something in Black Magic by Jenny.

Definitely tagged as Miracles are such items as salad dressing, electric razors, corsets, flour. There are Magic bird foods, swings, soap powder, cigarette cases, polishing cloths and yeast; also Magic Maid electrical appliances, Magic Chef ranges, Magic Test eggs and Magic Wand egg dyes. The awesome suggestion of the name Wonder applies to health belts, bread, stock foods, oil and baking powder, with such amplified variations as Wonder-Mist auto polish, Wonder Orange beverage, Wonder Nu-Matic foot supports, Wonder Lac lacquers.

Of more recent development is the resort to supernatural connotations in identifying special features of the product. Thus Dr. West's toothbrush is equipped with a Miracle Tuft. Peacock shoes sport an Illusion last. In Air Step shoes you walk on a Magic Sole. The RCA radio has not merely a Magic Eye but a Magic Brain. Goodrich batteries contain Miracle Glass.

Sometimes this supernatural property is so eerie as to baffle even the advertiser. For instance, the Auto-Lite spark plug gives off something called a Mystery Spark, and the wonder of it all forces the advertiser to resort to questions in the attempt to describe it. "What strange power," inquires the Electric Auto-Lite Company in helpless awe, "has this myster-

ious spark to put new life into lazy engines, as so many motorists report?"

Not to be overlooked are the responsibilities which the new order may impose upon the advertiser. The journey into wonderland, hand in hand with the consumer, imposes definite demands upon the collective integrity of industry. An entire new stratum of truth in advertising has opened up, and the ordinary yardsticks applicable to the relating of everyday, intelligible

facts can no longer be relied upon. If industry does not take action, the Federal Trade Commission probably will, for it is inevitable that there be established a minimum standard for miracles.

The typescript for this article is wondrously framed in the Magic Margin provided by a Royal typewriter, and if the thing gets published maybe that will be a miracle, too. By P. H. ERBES, JR. *Printers' Ink*, November 3, 1939, p. 15:3.

Survey of Radio Listeners

INDIANA University is making a survey of radio listeners that will eventually cover 100,000 cases, by far the largest of its kind ever made. A preliminary report, made on over 62,000 cases, indicates that 63 per cent of all radio listeners pay close attention to advertising announcements, and that just over 50 per cent buy products because they hear them advertised over the radio. Nineteen per cent buy radio-advertised products so that they may enter prize contests. Of those interviewed, 92 per cent owned radios and 16 per cent of the non-owners confessed to listening regularly to the radio owned by a relative or neighbor. The average home surveyed possessed 1.2 radios, averaging 4.5 years of age, and had the radio turned on an average of 4.3 hours a day on weekdays and 3.6 hours on Sunday. The news reports are the most popular of all radio programs, according to the survey, with humor, variety, sports, drama, religion, quiz programs, household hints, political programs, civic programs and interviews following in order.

—*Broadcasting and Broadcast Advertising* 11/15/39

Factory Fire Protection

A NEW system of fire protection has reduced the number of fires by more than 60 per cent in 16 of the largest plants of the Chrysler Corporation. The system depends upon the organization of departmental brigades and the use of first-aid fire-extinguishing equipment. According to the figures of insurance companies, the 1937 fire record of the company showed a 60 per cent decrease over the number of fires experienced in 1934.

Now, at all plants of the company, instead of a single fire department or brigade, trained in the use of large hose and equipment for supplementing the automatic protection, a brigade is organized in each department and trained in the use of the equipment at hand, such as fire extinguishers. Each foreman, under the supervision of the plant fire marshal, organizes, instructs and leads the fire brigade in his own department. The advantages of this arrangement are that the brigade is always close to the scene of the fire, and the members, being familiar with the fire hazards and fire extinguishers required to cope with those hazards, are able to act instantly in an emergency. Other trained personnel includes all watchmen and plant police.

—*Safety Research Institute*

Training Distributors' Salesmen

INDUSTRIAL distributors were recently polled to obtain their opinion on training for their salesmen and to give voice on various aspects of this problem. The results of this survey indicate some very definite factors that should be borne in mind by manufacturers who are, or who may think of, doing sales training work among industrial distributors. And there were also some points on distributor sales training procedure which are valuable for any supply house planning to undertake such a program.

The majority of distributors replying indicated that the responsibility for sales training rests in the hands of the sales manager and should be carried on by him. There is some recognition of the fact that outside organizations with teaching experience, even though they might lack some of the practical experience of sales managers, would be able to do a good job of carrying on formal training work. It was interesting to note that 13 per cent of the distributors desire to delegate group training to top-notch salesmen.

Several distributors were asked to elaborate on a possible well-rounded sales training program for younger salesmen. Here is a typical breakdown with suggested values:

Product information	30 per cent
General discussion of sales technique	20 per cent
Specific discussion of sales technique	30 per cent
Answers to frequent objections	15 per cent
Inspirational material	5 per cent

Periodic bulletins were favored by 72 per cent as the best means of imparting sales instruction. Thirty-four per cent inclined toward motion pictures, and 19 per cent indicated playlets as a good means of putting over sales instruction. A series of printed booklets to be combined into a sales manual was advocated by 22 per cent, while 15 per cent favored a correspondence course of definite lessons with question-and-answer sections.

In commenting on this last point many distributors stated they rely almost entirely on personal instruction — man-to-man conferences between salesman and sales manager — rather than on any formal presentation.

Most of the distributors, 85 per cent, placed the greatest stress on group meetings as the best means of accomplishing sales training.

Hints to Distributors

1. Sales training should be the responsibility of the sales manager, and the major part of the program should be prepared by the distributor's own personnel.

2. Sales training programs should consist mostly of product information and should be flexible enough to meet specific sales problems as they may arise.

3. Group meetings of all the personnel having any customer relations should be used to put the sales training program over.

4. Periodic bulletins prepared by

the distributor or by his suppliers are the best means of imparting sales instruction as far as written material is concerned.

Hints to Manufacturers

1. Sales training material for distributors' salesmen must be strong on product information. It must contain specific sales points to help the individual salesman *sell*. But it must be weak on general points of sales technique and even weaker on the straight inspirational stuff. Most salesmen have already had handed to them all the pep talks they can digest.

2. Distributors' own sales training plans must be considered. Many distributors plan their sales training activities for a year or several months in advance. Manufacturers may, therefore, be disappointed at the results produced by their plans for training

distributor salesmen if they give too little consideration to what distributors are doing themselves.

3. While distributors lean rather heavily on manufacturers for material, they like to prepare their own sales training programs. If an outside organization is used they insist on collaboration with their own personnel. Every distributor likes to think his problems are individual.

4. Sales training material for use by distributors must be directed at the entire personnel rather than at the salesmen alone.

5. Distributors prefer periodic bulletins rather than a formal set of printed booklets, or a bulky manual, or formal correspondence courses for their men.

BY JOHN H. FREDERICK. *Mill Supplies*, November 10, 1939, p. 18:5.

Factors Affecting Advertising Results

MUCH has been written about the variables which affect the responsiveness of advertising. The first variable, of course, is the advertisement itself—its headline, copy, layout and artwork, and the offer made. Second, the publication used. Third, the position of the advertisement. In this connection most direct-result advertisers rate the productiveness of full-page positions in this order: the back cover comes first; page facing second cover next; right-hand pages 3, 5 or 7, and page facing third cover, next in the sequence indicated.

A fourth variable would be economic conditions, local or national. Fifth, frequency of insertion. Sixth, time of insertion. Direct-result advertisers who *must* get inquiries in volume know that the best results are achieved from September through March.

What happens to advertising results when there occurs a news event of such magnitude that the reading public has little time to read about anything else? For example, the Lindbergh case. The date of the kidnaping was March 1, 1932. For days and days extra followed extra. People read and talked

about little else. What did this concentration of interest do to advertising results?

Here are some figures. The same advertisement, the same newspaper, the same position: February 7, 1932, advertisement, 554 inquiries; repeated March 27, 280 inquiries—a 50 per cent drop! And in four big national magazines, an inquiry loss of 30 per cent for the month of March, 1932, as compared with the previous month!

Another variable that influences the effectiveness of advertising is the weather. What happens to advertising results on a given day when it rains, sleet or snows . . . as compared with a day when it is clear?

An analysis of more than 57,000 inquiries received by one advertiser over an 11-year period points to a signifi-

cant conclusion. The same advertiser (in the same publication, the same size space, the same position and section of a New York City newspaper) received an average of 743 inquiries per insertion when the weather was wet. The average number of inquiries for dry days was 602 per insertion. This represents an average difference of about 19 per cent!

In other words, almost one-fifth greater response was received when the weather was such as to discourage those pursuits which competed with the reading of the newspaper! This conclusion should be of interest to the general advertiser and to those who are going through copy-testing programs in which a variable of 19 per cent can be important in their final decisions. By VICTOR O. SCHWAB. *Printers' Ink*, July 14, 1939, p. 15:4.

Motion Economy on Labeling Operations

Nearly every factory uses gummed stickers somewhere along the packaging line. Since the job does not require the services of a large number of people, or involve intricate machinery, most plants are satisfied to allow operators to stand day after day hunting out stickers, separating those that are stuck together, and moving the hand several inches out of the way in order to contact the sponge that is being constantly used to moisten each label.

Time on this simple operation can easily be saved by:

1. Having the manufacturer of the stickers powder them slightly so that they do not stick together.

2. Having a holder built for the stickers. It has been found that if the holder is about three inches high, built on a slight slant, and open in front, that the operator can, with the first finger and thumb, secure one label at a time without hesitating. If the operator needs an assortment of sized stickers, as in a hosiery-labeling operation, a number of these magazines can be mounted on a rotary holder.

3. Placing the sponge cup directly in front of the sticker magazine.

Packagers of confectionery and hosiery, and other large consumers of sticker seals, will find that the above methods will increase output 30 to 50 per cent on this particular job.

—*Factory Management and Maintenance* 12/39

Financial Management

A Puzzle for Auditors

OVER two hundred million dollars a year is lost to business through internal delinquencies. This, however, is only the amount that is ferreted out and made public. There is no telling how much additional is lost either in undetected frauds or those that for one reason or another are hushed.

What to do about it? The hard knocks of actual experience can blaze the path, in the light of more than 500 cases of internal frauds that were recently diagnosed as part of a special study made in behalf of the New York State Society of Certified Public Accountants.

It is heartening to find that none of the cases studied was of a type that *only* accident could have unearthed. There was no fool-proof or perfect scheme. The frauds were cloaked by situations that need not perforce have existed.

Accounting technique for fraud prevention or detection pivots around internal control and outside (independent) audit. The cases show that, for the large part, it was internal control that took the count in its combat with fraud.

Independent audits must be mated with internal control to keep fraud at bay. But in many cases these Siamese twins were cleaved. There was no

outside audit at all, when the crudest kind of audit would have caught the culprit red-handed. However, even with an outside audit, fraud was permitted occasionally to thrive. In most instances the fraud-doer laughed up his sleeve because the scope of the audit was too niggardly to catch him.

Many frauds involve diverting cash at the gateway. Obviously, therefore, the first line of defense is to increase the guard at that strategic point. A Maginot line can be erected by having those who open the mail, or anyone else not connected with the bookkeeping department, list all checks contained in the mail. Few enterprises heed this elementary requirement.

Manipulation of the cash between banks or customers' accounts can be stifled by checking and controlling duplicate deposit slips before the deposit is sent to the banks. The duplicate should show not only amounts but also the source of the money. Bank-stamped duplicates are almost meaningless.

Petty cash is one of the weak spots. The death knell can be sounded on tinkering with amounts on petty cash slips if slips are required to be made in ink, and all figures spelled out. The stunt of cashing in on the same petty cash slip more than once would be nipped in the bud if the slips were canceled by someone other than the

person handling the petty cash.

Padded payrolls would disappear if the duties of making up the payroll and paying off the men were divorced, and the men were required to sign for the amount they received.

Tampering with checks in payment of bills can be squelched by having the checks mailed to the creditors directly from the office of the signing individual, without going back to the bookkeeping or purchasing departments.

Securities are not actively in the industrial fraud limelight. But even the little fraud that does arise in this connection could probably be prevented if securities were put in registered form wherever possible, if tabs were kept on security numbers, and if ac-

cess to the vault required the presence of at least two persons.

In the case of merchandise, considerable barrier will be placed on ransacking if inventory is physically taken by employees other than the regular custodians of the merchandise.

Common to all aspects of internal control is the O.K. of the reviewing executives on bills, payrolls, vouchers, special entries, etc. If the reviews are made inattentively and the O.K.'s are affixed robot-fashion, all pretense of internal control should be swept aside.

But when all is said and done, since fraud is primarily a matter of human weakness, the best insurance against it is the proper selection and training of personnel. By J. S. SEIDMAN. *Banking*, December, 1939, p. 27:1.

Accounting Practice in Export Departments

ONE of the major problems that must be met whenever a company begins exporting is whether or not the export department shall be manned and equipped as if it were a separate business. Part of this problem is whether the export department should be permitted to do its own accounting and record keeping independent of the company's regular accounting and record-keeping department. Some bitter battles have raged on this point. Usually the export manager feels that no one in the regular accounting department can be trusted with such a delicate matter as preparing draft instructions with all

the necessary documents for a foreign shipment; and, of course, he declares that utmost familiarity with all foreign terms, strange names, and stranger customs is an absolute necessity.

But there are export managers who, though they insist on general supervision of export accounting, are only too glad to let the accounting department handle all accounting, billing, shipping, and other paper work.

As a check on accounting practices in export departments, a questionnaire was sent to a number of leading manufacturers, well known for successful export activities. The answers received tell the story of how accounting is,

and may be, carried on in exporting companies.

Seventy companies participated in this survey, and of this number 35 keep separate books for the accounts of the export department. Of these 35 maintaining separate records, 14 keep complete records, and the other 21 keep only subsidiary records to supplement the records of the regular accounting department. However, 63 companies, or 90 per cent, feel that a record of expenses of the export department is absolutely necessary, and 43 companies compile a separate profit and loss statement pertaining only to the export activities of their companies.

Only 20 firms keep customer accounts in the export department, but 51 of these companies have a credit file for immediate reference in that department. Forty-one export departments do their own billing, while the regular accounting department does that job in 29 companies.

These concerns handle their agents' problems in a variety of ways. Twenty-five reported that they paid commission following shipment of goods, while another 25 do not pay commission until after collections have been made. Thirty-eight companies keep agents' commission accounts in the export department, while the same number do not feel it necessary. Of the 70, only four companies do not employ agents. Fifty-five companies keep records of their agents' sales, but only 46 feel it advisable to keep records of agency agreements, and still fewer departments (36) keep records of instructions sent to agents.

As to export advertising activity, 47 of these companies checked keep a budget record of advertising appropriation, while 21 seem to feel that such information will not be needed. By H. AUSTIN LENGS. *American Business*, November, 1939, p. 28:3.

Job Insurance Benefits and Strikes

SINCE in every strike or lockout the ability of employees to subsist during a period of idleness is a prime factor in the outcome, the question whether unemployment compensation is or is not paid may often tip the scales one way or the other. The payment of unemployment benefits in such cases is made by individual states in accordance with state laws and regulations.

In every state of the Union, employees participating in a labor dispute are in some degree disqualified from receiving benefits during a work stoppage resulting from such dispute. Hawaii, however, provides for no such disqualification.

In 33 states the disqualification is absolute, one state, Oklahoma, applying the disqualification even without specific mention of a work stoppage taking place. In 11 states the disqualification applies only where the dispute is in active progress. Eleven states provide for waiting periods before compensation may be paid. In some instances lockouts entail no disqualification.

The disqualifications do not in all states apply to all employees involved. In most states there are exceptions for employees who are not members of the group or class which is participating in, financing or actively interested in the dispute. Nine states do not provide for these exceptions.

—*Labor Relations Reporter* 10/30/39

*Insurance**

Products Liability Coverage

THE so-called standard general liability policy excludes protection against claims based on injuries or damages resulting from the use or consumption of merchandise ordinarily sold in department stores and used or consumed off the premises. Protection may be secured either by eliminating the exclusion or by securing a separate insurance contract.

Where the rate of either or both coverages is based, in part, on the experience of the insured, excessive losses sustained by the insurance carrier on either coverage will have an adverse effect on the net cost of both.

A distinct advantage in carrying products liability and general liability coverages under separate policies and in separate companies may be found in the fact that certain companies and certain brokers are better equipped to serve the insured. On the other hand, separating product liability from general liability presents the possibility of there being a gap between the two coverages. Combining the two coverages in one policy guards against complication.

Care should be exercised that the policy contains no provision whereby the insured is left liable for damages awarded for shock, mental anguish or injuries not strictly or universally deemed physical. Claims for such dam-

ages are being made with increasing frequency and are among the most difficult to evaluate properly or to defend.

When the exclusion clause is so drawn as to apply to an employee dealing with the store in the relation of a customer—a member of the public—such an exclusion cannot be justified.

It has been said that many department stores are sound asleep today in not demanding insurance certificate evidence, from suppliers of merchandise susceptible to consumer claims, that there is no reason why a manufacturer should not agree to hold someone else harmless for acts of his own (the manufacturer's) negligence.

Who should bear the cost, pay the premium, under a products liability policy? The consensus of those consulted is that this should devolve upon the named insured. To a certain extent, and in varying degree, any insurance costs can be controlled by the insured by taking such steps as will or may (1) minimize hazards and (2) defeat unmeritorious claims or efforts to secure overpayments for meritorious ones.

Notwithstanding the boasted advantage of having insurance costs definitely fixed in advance, the better course for the careful dealer in meritorious merchandise is to place all liability

* Insurance abstracts are contributed by P. D. BETTERLEY, Insurance Consultant.

insurance on a basis comparable to that in workmen's compensation insurance, whereby the individual insured receives the benefits of care exercised by him. By visualizing labels for meritorious products such as one finds on devices for preventing and lessening losses by fire, it is hoped to enlist the cooperation of underwriters in taking steps to bring this about. It is hoped to have them refuse as undesirable the type of risk which runs up their losses

and costs. It must be confessed that disappointment has been experienced thus far in securing cooperation from underwriters, most of whom unreservedly state that, as their business is conducted, "agency pressure" precludes the thought that they can afford to refuse to insure the careless and indifferent or those who handle merchandise of doubtful merit or dangerous appliances. *The Casualty Insuror*, September, 1939, p. 4:4.

Retrospective Rating for Compensation Risks

EVER since the acceptance of the doctrine of workmen's compensation insurance, there has been a constant effort to produce compensation rates commensurate with the hazard undertaken and to develop a system of the application of such rates in a manner which would not be unfairly discriminatory. The need for developing a means of more promptly reflecting changes in the experience of compensation risks has been emphasized.

It is not practicable to anticipate the trend of payrolls and wages in the rate-making procedure. Consequently, the rates must be determined on the basis of actual experience data. It is evident, however, that the lag in the process of utilizing past experience, particularly by means of the Experience Rating Plan, does not give recognition to the trend of individual risk experience as promptly as might be desired.

As respects changes in law benefits, the rate-making body is confronted with the necessity for making estimates as to the effect of such changes, in order that this may be properly reflected in the insurance premiums. The application of retrospective rating, however, will eliminate such differences, since the final adjusted premium will be based upon the actual losses incurred by the risk during the policy period. The retrospective method gives immediate recognition to the trend of individual risk experience, taking into consideration changes in wage levels and law benefits.

Retrospective rating must be desired by, rather than sold to, an employer because, if the plan is to produce the maximum benefit, there must be a sincere desire and an active effort on the part of the employer to prevent accidents. Any employer who is sold the plan by the argument that the mere acceptance of treatment thereunder

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will produce a miraculous change in the experience of his risk, with an automatic saving in premium dollars, is bound to be disappointed to the same degree by which he fails to co-operate in recognition of the fundamental purpose of the plan.

It should be made clear that the present experience-rating procedure will continue in effect in order to determine the initial rates for the individual risk, even though such risk has elected the retrospective-rating basis of premium adjustment. This means that the risk which, under the Experience Rating Plan, enjoys a credit modification from the manual rates, may secure, under the Retrospective Rating

Plan, an additional premium credit which may be as high as 25 to 50 per cent, dependent upon the size of the risk and its actual experience during the policy period. Similarly, a risk which receives a debit modification under the Experience Rating Plan may, through the operation of the Retrospective Rating Plan, not only eliminate such debit but even convert this into a credit modification.

The Retrospective Rating Plan, by its immediate reflection premium-wise of favorable loss experience, provides a tangible and effective incentive for accident prevention and safety work. *The Weekly Underwriter*, September 16, 1939, p. 558:4.

Electricity as a Fire Hazard

NO type of equipment is immune from lightning, but motors, generators, transformers, and switchboard equipment are particularly vulnerable, especially if they operate at the same voltage as the incoming power.

But in probably over 90 per cent of the cases where industrial equipment has broken down during lightning storms, lightning has not directly struck the equipment or conductors. The breakdowns are caused by high voltage from secondary effects of the lightning.

The loss of production occasioned by such breakdowns may result in much inconvenience, embarrassment, and, possibly, the cancellation of profitable orders.

—*Journal of American Insurance* 8/39

How Time Sales Rank

THE importance of instalment selling to furniture and other lines is measured in a study that has just been released by the National Association of Sales Finance Companies.

It reveals that furniture stores topped all retail classifications in the ratio of instalment sales to total volume in 1938. Time-payment furniture purchases were 73.3% of the total. Next in line were household appliances with 68.5%, jewelry with 40.6%, automobiles with 40.2%, auto tires and accessories with 12.8%, department store items with 8.9%, men's clothing with 6.8%.

Payment of debts was almost in inverse ratio. Men's clothing instalments were cleared up in 5.6 months, auto tires and accessories in 5.9 months, department store debts in 11.7 months, jewelry in 14.6 months, automobiles in 16.5 months, furniture in 19 months, household appliances in 24.6 months.

—*Business Week* 11/25/39

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Social Security Amendments and Pension Plans

Question: What adjustments are companies making in pension plans to meet conditions arising under the amendments to the Social Security Act?

Answer: The addition of survivor insurance provisions to the Social Security Act does not seem as yet to have caused changes in company insurance or pension plans. These provisions will no doubt be taken into account in future general revisions and in the setting up of new plans, but probably will not in themselves cause revision.

Some employees have already been retired under Social Security with a lump sum payment and under the amendments the possibility arises that certain ones may still qualify for Federal old age pensions. There seems to be a general agreement that this should not change the man's status under a private pension plan since the reduction of the private pension on this account would be a breach of a contract made in good faith.

This information has recently been received by the American Management Association through a small survey of outstanding company plans. The survey also covered questions of policy regarding: retaining employees who are nearing retirement age but will require service beyond that age to make them eligible for government pensions; recalling recently retired employees to active service to permit them to qualify for government pensions; methods of handling premature retirements under present conditions; and increasing age for normal retirement date for women where it is now before age 65.

Note: Copies of this survey are available to company members of AMA if requested.

Sending Dividend Checks

Question: What is the general practice regarding sending out dividend checks. Do most concerns use an outside agency or do they handle the matter themselves?

Answer: There are some 300,000 corporations in the United States, all with capital stock outstanding but about 95 per cent of these are either privately owned or of such a nature that the question of writing dividend checks is not

important. Of the remaining 20 or 25 thousand companies, the majority favors having the work done by an outside agency.

While during the depression many corporations had the extra personnel and space to handle this work, they are differently situated under present recovery conditions. Naturally, it is a seasonal operation and it is quite likely to come at the busiest period. The large banks report a considerable return flow of this kind of business since last spring when business showed an upturn.

There are several factors to be taken into consideration. One of them is the interval between the record date and the payment date which may be too short to enable the company itself to issue the checks. Another factor is that practically all corporations of size have transfer agents who have a complete set of stencils, one for each stockholder. Before a company can make up its dividend checks it must obtain an up-to-date list of stockholders from its transfer agent. This entails a charge and an interval of several days. If the transfer agent itself sends out the dividend checks, the stencils are immediately available.

The cost of automatic check-writers runs between \$1,500 and \$2,000 each and for companies of size a battery of several of these is necessary.

Uniform charges are made for this service by all banks. These charges are: first 250 checks, 25 cents; next 250 checks 20 cents; the next 9,500 checks, 12½ cents; 10,000 checks and over, 10 cents.

In addition to these charges the company pays the cost of the envelopes, checks and postage. The cost of maintaining the stencil file is met by the transfer agent.

Vacation Policies in the Textile Industry

Question: What are some typical vacation policies of companies in the textile field?

Answer: Vacation plans of a few well-known companies from various divisions of the textile industry are outlined below.

Everybody in our employ is eligible for a vacation. One year of service is prerequisite. Hourly-paid mill workers get one week's vacation with pay. They are paid for 40 hours at their hourly rate, or, if they are piece workers, at the base rate of the job at which they work.

All salaried people on a weekly or monthly basis are eligible for a two weeks' vacation with pay after one year's service.

* * *

The higher executives in our factory are granted a two weeks' vacation with pay.

Employees in our general office and designing room are granted one week's vacation with pay until they have worked here for three years; then they are granted a two weeks' vacation with pay.

Foremen and loom fixers are granted a week's vacation with pay.

When we were negotiating a union contract, we offered one week's vacation with pay or a 2 per cent increase in wages in lieu of a week's vacation with pay. The union voted in favor of the 2 per cent increase in wages.

Our plan has been in operation since 1937 and covers salaried and non-salaried employees who have been employed at least one year. This service need not be continuous, but if a separation of more than one year occurs the employee loses his previous service.

The pay is based on 40 hours (our normal work week) at the base rate. "Base" pay is a time rate per hour, set up for each job, and does not include "incentive" pay. It is usually somewhat lower than a corresponding "piece" rate for the same job.

Some selected salaried employees receive more than one week of vacation, but the greater majority receive the same amount of time as the non-salaried employees.

We close the plant during vacation so that practically everyone goes off at the same time, thus eliminating the confusion, due to interrupted work schedules, which sometimes occurs when vacations are staggered. The plant is closed from Friday evening until a week from the following Monday; thus the actual days away from work are nine.

We consider the plan a paying investment in good health and contentment for our employees and hope to continue with it and to improve it as time goes on.

* * *

Our office personnel, together with the foremen throughout the organization, are granted each year two weeks' vacation with pay. We have not definitely committed ourselves to a policy of vacations with pay for the factory personnel, although factory workers probably have had vacations with pay for eight out of the past 10 years. Each year the Board of Directors considers the granting of a vacation and the qualifications therefor. These qualifications vary slightly from year to year.

In the past year vacation was granted to our employees who were on the payroll April 1, 1939, during the week of July 30 to August 5. The pay for this vacation week was the average hourly earning rate for the first six months of the year extended by the standard hour work week.

* * *

The above plans are a fair sample of the various types of vacation policies in the industry, but these companies are well in advance of the general trend in the manufacturing field. A survey made by the Bureau of Labor Statistics and published in December, 1938, issue of *The Monthly Labor Review* indicated that about two-fifths of the wage earners in manufacturing and extractive industries now receive annual vacations with pay.

From the examples quoted, it would appear that the typical vacation plan for wage earners in this industry is one week granted after one year of service. The above group of plans illustrates the one-week vacation on the staggered basis, also on the shut-down basis. Included also is a vacation which is granted by action of the Board of Directors each year and which therefore varies in the qualifications set up from year to year. The one case in which no paid vacation is given to wage earners in general is especially interesting since it shows a choice by these workers of a wage increase in preference to a vacation.

Payment for Absence Due to Illness

Question: What is standard policy in industrial company offices on payment for absence due to illness?

Answer: There is no standard policy on this subject among manufacturers. A number of concerns have group health and accident insurance plans or

mutual benefit associations, while others have company benefit plans, both contributory and non-contributory.

Apart from these methods there is no organized plan and in many companies each case is decided on its merits. One company, for example, states: "Permanent full time employees and temporary full time employees with more than six months service are granted pay for absence on account of sickness within limits set by the management." Another company says, "It is our policy to deal with employees on a fair basis in cases where absence is necessary on account of sickness. Length of service and the frequency of absence from this cause are recognized as factors to be considered in determining the point at which deductions from salary must begin to be made." This latter company has an employees mutual benefit association but membership is optional.

Another company notifies its employees as follows: "We do not wish to work a hardship on you by causing you a loss of money when you are absent on account of illness. We, therefore, for a certain length of time, make no deduction in salary when you are absent on that account. On the other hand, we expect that you will not abuse this liberality by staying away from your work at times when you are really well enough to come."

A schedule for payments is occasionally set up but even in these cases the final right is likely to be reserved by management to depart from the schedule. An instance of this follows: (This case has the added feature not often found of providing a policy also for absences due to illness or death in the employee's family). "Allowance for illness is made to the extent of one day per month when the employee has been with the company for at least thirty days: or a total of twelve working days during the year, unless otherwise disposed of by the management. It is naturally expected that employees will not remain away from the office when they are really well enough to work, but should the company feel upon investigation that this allowance is being abused, a proper deduction from salary will be made.

"Absence because of the illness of a member of employee's family, or for any other reason than personal illness, is at employee's own expense and will be deducted from salary, except in case of death of some immediate member of family, when special consideration will be given."

Another company sets up a policy of paying its office employees for a week of sick time in any one year. This company urges its employees to secure further provision for such emergencies by membership in the mutual benefit association and commercial accident and health insurance as well if possible. In this case the provision for one week is evidently intended to take care of the week of "waiting time" which usually is required by insurance or benefit associations.

An organized plan which has been worked out with unusual care as to detail is the following:

"In addition to the vacation allowances, every employee is allowed an amount of sick leave based on his length of service in the Company. This allowance applies only to the sickness of the employee himself, the employee not being entitled to pay for absence on account of sickness in his family. The table below indicates the amount of sick leave allowable for the different terms of service:

<i>Employees in the Service of the Company.</i>	<i>Annual Allowance</i>	
	<i>Full Pay</i>	<i>Half Pay</i>
Less than 1 year	1 week	None
More than 1 year, less than 2	1 "	1 week
" " 2 years, " " 3	1 "	2 weeks
" " 3 years, " " 4	2 weeks	1 week
" " 4 " " 5	2 "	2 weeks
" " 5 " " 6	2 "	3 "
" " 6 " " 10	3 "	2 "
" " 10 " " 15	4 "	2 "
" " 15 " " 20	4 "	4 "
Over 20 years	Each case judged on its merits.	

"The company reserves the right to replace an employee whose absence on account of sickness exceeds the allowance."

Survey of Books for Executives

Human-Relations Manual for Executives. By Carl Heyel. McGraw-Hill Book Company, Inc., New York, 1939. 253 pages. \$2.00.

No field of literature offers more fascinating problems to the author or editor than that of the business book, and particularly the book which relates to the practical details of the production process. It is here that

flux is greatest, that current practice is most valued, that immediate usefulness is most sought for by the reader.

Mr. Heyel has struck out boldly to provide a new approach to these objectives through the organization of a manual that is at once contemporary, informative and practical. Bringing together hundreds of tested practices in matters of human relations, he

has contrived so to arrange and classify his material that continuity results and reader interest is maintained even though the material comes from widely differing sources.

The truth is that few persons can boast the natural aptitude which Mr. Heyel has shown for work of this sort. In the formulation of conference programs for executives, he has long been outstanding for his unusual facility in the selection of subject matter which strikes home in point of immediate importance and timely interest. It is this same sense of fitness which Mr. Heyel reveals in strong measure in the organization of the topical data which comprises his book.

Beginning with problems of getting along with people, the book relates in ensuing chapters to the development of the working force and of first-line supervision; to the stimulating of best performance; to making work easier and safer; and to paying employees. Final sections deal with problems of dismissal and of improving management-employee understanding.

The book would appear to offer three rather unusual values. First, it provides a basis whereby the serious reader may compare practices and possibilities between his own and other organizations. This comparison is peculiarly advantageous, for while exact imitation is rarely practical, entirely new ideas applicable to the work at hand are frequently disclosed by the study of allied methods found successful elsewhere.

A second value lies in the usefulness of the volume as an auxiliary text in

programs of foreman-training. A good teacher makes frequent use of variety in teaching methods and materials. There is little question that many of the illustrations of good practice assembled by Mr. Heyel together with the searching questions at the close of each chapter will provide a basis for active and worthwhile group discussion.

Finally, the book may be said to have its feet on the ground. Mr. Heyel confines himself to material which has stood the test of experience. There is little generality in his presentation and no attempt to provide a "theory of management" or a personalized methodology. The book is truly a manual with evidence of honest effort and skilful editorial workmanship. Mr. Heyel has spent much time to the end that the reader may spend less—and he is to be commended for his conscientious and effective effort to provide a means for the spread of useful information directed squarely toward constructive managerial action.

Reviewed by Erwin H. Schell, Department of Business and Engineering Administration, Massachusetts Institute of Technology.

Organizing and Financing Modern Business. By Calvin Crumbaker. John Wiley & Sons, Inc., New York, 1939. 644 pages, \$3.75.

The major purpose of this book is "to present in realistic form the relationships and interrelationships which exist in the business world and the problems which arise in promoting

and setting up new business organizations." The author has done the job admirably.

This is a long book, packed full of useful information. It is well written and easy to read.

Professor Crumbaker's treatment of his subject is strictly objective. He goes to considerable length to point out the impact upon present-day business of various proposals to reform and readjust business through government regulation, competition, or general ownership. He points out that the high hopes and expectations which accompany such proposals have fostered the conclusion, which he believes to be widespread, that it is no longer necessary to try to understand business relationships or to undertake the solution of business problems.

To quote the author: "The book does not support or oppose these specific proposals for business reform. It does seek to offer convincing evidence that there is no magic in governmental fiat. The economic problems of promoting, organizing, and financing new business which face governmental agencies are not essentially different from those attacked by private enterprise. The attempt is made to present the problems, to set forth what are believed to be controlling principles, and to allow the student to apply his own social philosophy in arriving at conclusions."

In his first chapter Professor Crumbaker deals at some length with the evolutionary aspects of business problems. After tracing the development of business and capitalism through the

years, he comments: "So much is heard of acquisitiveness of business, of money, and of profits, that there is danger of losing sight of the fundamental fact that the purpose of economic activity is the same today as it was in ancient times—the satisfaction of human wants. All that has changed with time is the method by which wants are satisfied."

The picture which the author paints of the pressure on the head of a business enterprise is graphic and realistic. "There is a widespread tendency to explain the motives of some modern captain of industry as love of power or personal ambition. Are his activities, carried out on a grander scale than those of ordinary persons, like theirs in purpose? Nothing is clearer to the person who examines the problem thoughtfully than the fact that the shortest way to suicide for any business concern, large or small, is a slackening of alertness and drive on the part of the man at the top, whether he be a big business man, a captain of industry, or a small business man. The whole venture, whether large or small, rests on continued exertion. Growth or death, expansion or collapse, are the only alternatives. Billions evaporate, not alone with careless handling, but with loss of drive, with the same facility as hundreds. There is never time in the life of a business man when he can remain in business and rest secure on his past accomplishments. He must keep aggressively at work in his field or be destroyed by others who exercise greater initiative. Against his will or desire he must

expand his business from hundreds of thousands to hundred of millions."

An ever-increasing degree of impersonal management of corporations is noted by Professor Crumbaker as a significant modern trend. Management in his opinion stands at the apex of the pyramid and coordinates all factors and functions. It should not adopt the process demanded by any one group, whether owners, labor, or consumers, but should compromise the selfish demands of all groups. In other words, he says, management is the agency which preserves the business organization as a "going concern" as that term is used by institutional economists such as Professor John R. Commons.

Professor Crumbaker's description of the "going concern theory" is particularly timely, as it fits in with the growing appreciation by the business world that a business concern cannot continue to exist without the cooperation of each group concerned in its operations, including owners, creditors, employees, suppliers of materials, and buyers of finished products. A business which is organized for perpetuity cannot afford to permit any of its relations to reach a point where the law need be applied. Willingness to cooperate must be preserved by compromise and by respect for the wishes and demands of all who must be depended upon to make the concern a continuous financial success.

The book describes in detail the forms of business organization, from individual proprietorships to business corporations. The descriptions of the

various forms of business organizations are complete and clear.

Most of the book is, naturally, devoted to the subject of business corporations and takes them from the cradle to the grave, so to speak. Organization, promotion, financing, profits, taxes, and expansion programs are treated in an interesting and informative way.

There is an excellent chapter on the budget in business promotion and management. The chapter on business distress and failure presents many of the causes, both external and internal, for such difficulties. The author's treatment of receiverships, reorganization, and dissolution is comprehensive and valuable.

Throughout the book Professor Crumbaker makes many references to source material. These references constitute a useful bibliography on corporation matters.

In the opinion of the reviewer, this book is a distinct contribution to the literature of the field of business.

*Reviewed by Stanley P. Farwell,
President, Business Research Corporation.*

Operation Analysis. By Harold B. Maynard and G. J. Stegemerten. McGraw-Hill Book Company, Inc., New York, 1939. 298 pages. \$3.00.

Savings in manufacturing cost need not require the purchase or building of improved machines nor the discovery of new processes. A simpler and less expensive procedure is that of Operation Analysis. This manage-

ment tool can be utilized successfully by any industrial supervisor to produce savings equaling and often exceeding those made by elaborate plant and equipment changes. And the psychological advantages of having the line supervisor participate in the operation analysis should not be overlooked in these times of industrial unrest.

The authors, well known in the field of time and motion study, contribute their wealth of experience in industrial applications to illustrate each step in the analysis procedure. Practically every type of industry will find the principles they have outlined equally applicable.

The six different types of methods study are described in detail so that the plant owner or manager may decide which will yield the largest returns for his particular business.

Process charts are presented as a medium of expression that permits a quick grasp of the existing situation and a logical method of perceiving potential improvements in operations, inspections, storages and transportations. Can operations be eliminated? Can they be combined? Can they be simplified?

Nine main points must be considered in a thorough operation analysis, and a sample analysis sheet form that will greatly aid in determining possible savings has been provided. Use of this method of approach is illustrated by a number of case examples from a wide range of industries.

Operation analysis also considers

inspection requirements and the great need for standardization of quality specifications. In addition, it involves a thorough investigation to determine the savings that might be achieved through better utilization of raw materials and salvage materials. Often huge material savings result from a slight redesign of rough stock, or rearrangement of punches or cutting dies.

A chapter is devoted to materials handling, and photographs are shown of various methods of moving materials through delivery chutes, trucks, racks and conveyors. A complete check-list is provided to simplify analysis of the materials-handling problem.

The book includes a thorough treatment of workplace layout, tool setup and equipment, illustrated with sample instruction cards and photographs of good and bad layout practices. Ten common possibilities for operation improvement are listed, and with each case example is an explanation of the principles involved.

Plant layout is given serious consideration, and the authors describe how to make three-dimensional layouts to test proposed changes. A check-list is provided for analysis of working conditions, including safety of the operator, and a number of safety devices are shown.

The volume is profusely illustrated with case examples and photographs which will appeal to many shop executives who avoid technical books. Much of the material can be lifted out bod-

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ily and applied to everyday use. The book does not treat deeply the technical details of motion study, nor is it a time study text; rather, it provides a background for both. No methods or time-study man can afford to pass up

the many practical methods improvement ideas selected from the extensive professional experiences of the two authors.

*Reviewed by William R. Mullee,
American Hard Rubber Company.*

Briefer Book Notes

A CHANCE FOR EVERYBODY. By Hyacinthe Dubreuil, with a Foreword by Aldous Huxley. Chatto and Windus, London, 1939. 270 pages. 7s. 6d. The author of this book believes that there must be "inevitable discontent" among workers in large organizations since in the performance of their automatic tasks they have lost the status of artisans and have no longer any need to use their minds or take initiative. He proposes a solution involving a scheme of small autonomous groups, each under an elected foreman or leader, which are paid for their labor on a contractual basis.

ORGANIZATION AND MANAGEMENT OF PRODUCTION. By William N. Mitchell. McGraw-Hill Book Company, Inc., New York, 1939. 417 pages. \$4.00. An introductory course in production management for university students of business. The primary purpose of the volume is to offer a brief, concise characterization of: (1) some of the factors in the economic, technological and geographical environment of production which determine the general forms of organization of production activities; and (2) some of the more important problems encountered by production executives in the administration of the production field.

CASEBOOK IN AMERICAN BUSINESS HISTORY. By N. S. B. Gras and Henrietta M. Larson. F. S. Crofts & Co., New York, 1939. 765 pages. \$5.00. This volume of cases in business history, apparently the first to be published, is made up of 43 cases or problems which have been chiefly taken from American experience. Of these, five cases from European business history have been selected for their unique contributions—Sir Thomas Smythe, Boulton and Watt, Josiah Wedgwood, John Law, and Hugo Stinnes. The general emphasis in the cases is on business administration, that is, business policy, management, and control.

SOCIAL CHANGE AND LABOR LAW. By Malcolm Sharp and Charles O. Gregory. The University of Chicago Press, Chicago, 1939. 175 pages. \$2.00. Two socially minded professors of law view private law, constitutional law, and recent federal legislation, as it is affected by and as it affects philosophy, psychology, economics, and other social forces.

ORGANIZED LABOUR IN FOUR CONTINENTS. By H. A. Marquand and others. Longmans, Green and Co., New York, 1939. 518 pages. \$4.00. Describes briefly the labor developments in France, Germany, Great Britain, Italy, Scandinavia, the U.S.S.R., America, Australia and Asia. Attention is given to the history, structure and practices of labor movements in these various parts of the globe.

LIFE OFFICE SALARY ADMINISTRATION. Report No. 2 by the Clerical Salary Study Committee of the Life Office Management Association, New York, 1939. 137 pages. \$3.00. The Life Office Management Association's Committee Report No. 1, "Job Evaluation For the Establishment of Salary Standards," issued in September, 1938, represented a general survey of the techniques involved in the equitable determination of salaries. Report No. 2 marks a definite step towards the application of those techniques to the specific conditions found in life insurance home offices.

CASEBOOK OF LAW AND BUSINESS. By William Homer Spencer. McGraw-Hill Book Company, New York, 1939. 1179 pages. \$6.00. Intended primarily for use in collegiate schools of business and departments of business administration, this casebook has been prepared to serve as a basis for instruction in the legal aspects of business.

GOVERNMENT AND ECONOMIC LIFE. Volume 1. By L. S. Lyon, M. W. Watkins and Victor Abramson. The Brookings Institution, Washington, D.C., 1939. 519 pages. \$3.00. This book is an interpretation of public economic policy in America. Trends and current issues are discussed in the light of the economic forces and governmental actions which have influenced and conditioned them. Such problems are considered as: modification of the anti-trust laws; determination of fair competition; government and labor action; amendments to the patent laws; monetary management; and, evaluation of governmental agencies.

THE PREVAILING MINIMUM WAGE STANDARD. By O. R. Strackbein. Graphic Arts Press, Inc., Washington, D.C., 1939. 187 pages. \$2.50. An analysis of the wage standard established by the United States Government for the purchase of its supplies. The volume attempts to trace the effects of the statute in its various aspects.

MACHINE SHOP WORK. By Frederick W. Turner, Oscar Perrigo, and Aldrick Bertrand. American Technical Society, Chicago, 1940. 412 pages. \$2.75. A comprehensive treatise on approved shop methods including construction and use of tools and machines, details of their efficient operation and discussion of modern production methods.

PRINCIPLES OF RETAIL MERCHANDISING. By Harold A. Baker. McGraw-Hill Book Company, Inc., New York, 1939. 462 pages. \$4.00. Sets forth the most modern practices in merchandising for department and specialty stores. All the steps in the process—buying, pricing, selling, and advertising—are analyzed and described. Special attention is given to the statistical bases by which the profitable merchandising operation is judged and controlled.

THE VAMPIRE ECONOMY. By Guenter Reimann. The Vanguard Press, New York, 1939. 350 pages. \$3.00. Presenting stories of personal experiences of business men, as well as confidential reports and official and secret data, Mr. Reimann shows the problems faced by business men in Germany and Italy. The phenomenon of a stock exchange in a totalitarian state, the manipulation of state and private investments, the effects on world trade, and the working of the Four-Year Plan are all examined.

MANAGEMENT AND LABOUR. By K. G. Fenelon. S. J. Reginald Saunders, Toronto, 1939. 276 pages. \$2.50. A study of present-day industrial organization from the British viewpoint with special reference to personnel relations. The matters dealt with include the development of systematic methods of management; industrial psychology, industrial fatigue, working conditions and factory environment; absenteeism, etc.

BOOKS RECEIVED

Chain Stores and Legislation. Compiled and edited by Daniel Bloomfield. The H. W. Wilson Company, New York, 1939. 466 pages. \$1.25.

Savings in Simplified Wrapping. Research Bureau for Retail Training, University of Pittsburgh, Pittsburgh, 1937. 128 pages. \$5.00.

The Insurance Almanac: 1939. Edited by John D. Hogshead. The Underwriter Printing and Publishing Co., New York, 1939. 1167 pages. \$3.00.

Public Employment Service in the United States. By Raymond C. Atkinson, Louise C. Odencrantz and Ben Deming. Published for the Social Science Research Council, by Public Administration Service, Chicago, 1938. 482 pages. \$3.75.

Ground Under Our Feet. An Autobiography. By Richard T. Ely. The Macmillan Company, New York, 1938. 330 pages. \$3.00.

Writing Effective Government Letters. By James F. Grady and Milton Hall. Employee Training Publications, Washington, D. C., 1939. 109 pages. \$1.50.

Financial Management

A Conference of the American Management Association

Hotel New Yorker, New York, N. Y.

January 24 - 25, 1940

The annual Conference of the Finance Division of the American Management Association will again be held in New York City. As always, this Conference will provide an invaluable idea-exchange for financial executives in all types of industries from all parts of the country.

The Conference Planning Committee, under the direction of Mr. F. B. Flahive, Comptroller, Columbia Gas & Electric Corporation, New York, and Vice President, AMA Finance Division, has held a number of preliminary meetings to determine the topics that would be suitable for treatment. . . . On the basis of their own contacts and observations, and in view of the type of financial articles appearing in the business press during the past year, and topics discussed at various financial gatherings in the same period, the Committee members drew up a tentative list of topics which was submitted to hundreds of financial executives throughout the country. A most gratifying response to this questionnaire was received, and many suggestions were sent in to headquarters regarding elaboration of topics and possible speakers. As a result of all this preparatory work, Mr. Flahive's Committee is arranging for the following subjects for the Conference:

CURRENT PROBLEMS IN FINANCIAL MANAGEMENT

Government Regulations and Financial Management . . . Refunding Old Obligations and Financing New Issues . . . Capital Loans for the Smaller Business . . .

PROGRESS IN BUDGETARY CONTROL

The Present Status of Industrial Budgeting . . . Budgeting Production by Rigid Control of Plant Capacity . . . Flexible Budgeting . . . When Is Departure from Strict Adherence to Detailed Budgeting Justified? . . . Budgeting Sales and Selling Costs . . . The Need for Financial Planning Based on an Old-Fashioned Cash Budget . . . Obtaining Departmental Co-operation in Budget Practice . . . Industry-Wide Budgeting . . .

FINANCIAL MANAGEMENT AND SOCIAL LEGISLATION

Effect of Social Legislation on Production and Operating Costs . . .

Effect of Social Legislation on Operation of Private Pension Plans . . .

FINANCIAL MANAGEMENT LOOKS AHEAD

New Responsibilities of the Financial Officer . . . Inventory Checking and Some of Its Problems . . .

Every financial executive owes it to himself and his organization to take advantage of the "down-to-earth" discussions at this Conference. Remember the place and time—Hotel New Yorker, New York, N. Y., Wednesday and Thursday, January 24-25, 1940.

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330 West 42nd Street **New York City**

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